

(6) A loan or grant check drawn on the U.S. Treasury may be deposited in a supervised bank account without endorsement by the borrower when it will facilitate delivery of the check and is acceptable to the financial institution. The borrower will be notified immediately of any deposit made and will be furnished a copy of the deposit slip. When a deposit of this nature is made, the following endorsement will be used:

For deposit only in the supervised bank account of *(name of borrower)* in the *(name of financial institution and address when necessary for identification)* pursuant to Deposit Agreement dated ____.

(7) Accounts established through the use of Interest-Bearing Deposit Agreement will be in the name of the depositor and the Government.

(b) *Deposits by borrowers.* Funds in the form of cash, check, or money order may be deposited in the supervised bank account by the borrower if authorized by Rural Development, provided the financial institution has agreed that when a deposit is made to the account by other than Rural Development personnel, the financial institution will promptly deliver or mail a copy of the deposit slip to the Rural Development Servicing Office.

(1) A loan or grant check drawn on the U.S. Treasury may be deposited in a supervised bank account by a borrower, provided the following endorsement is used and is inserted thereon prior to delivery to the borrower for signature:

For deposit only in my supervised bank account in the *(name of financial institution and address when necessary for identification)* pursuant to Deposit Agreement dated ____.

(2) Funds other than loan or grant funds may be deposited by the borrower in those exceptional instances where an agreement is reached between the Servicing Official and the borrower, whereby the borrower will make deposits of income from any source directly into the supervised bank account. In such instances the borrower will be instructed to prepare the deposit slip in the manner described in § 1902.9 (a)(5) of this subpart.

[46 FR 36106, July 14, 1981, as amended at 70 FR 59227, Oct. 12, 2005]

§ 1902.10 Withdrawals.

(a) The Servicing Official will not countersign checks on the supervised bank account for the use of funds unless the funds deposited by the borrower from other sources were cash deposits, checks which the Servicing Official knows to be good, or deposited checks which have cleared.

(b) Withdrawals of funds deposited under the applicable deposit agreement are permitted only by order of the borrower and countersignature of authorized FmHA or its successor agency under Public Law 103-354 personnel, or upon written demand on the financial institution by the State Director.

(c) Upon withdrawal or maturity of interest-bearing accounts established through the use of an Interest-Bearing Deposit Agreement, such funds will be credited to the supervised bank account established through the use of Form FmHA or its successor agency under Public Law 103-354 402-1.

(d) The issuance of checks on the supervised bank account will be kept to the minimum possible without defeating the purpose of such accounts. When major items of capital goods are being purchased, or a limited number of relatively costly items of operating expenses are being paid, or when debts are being refinanced, the checks will be drawn to the vendors or creditors. If minor capital items are being purchased or numerous items of operating and family living expenses are involved as in connection with a monthly budget, a check may be drawn to the borrower to provide the funds to meet such costs.

(1) A check will be issued payable to the appropriate payee but will never be issued to "cash." The purpose of the expenditure will be clearly shown on Form FmHA or its successor agency under Public Law 103-354 402-2 and indicated on the fact of the check. When checks are drawn in favor of the borrower to cover items too numerous to identify, the expenditure will be identified on the check, as "miscellaneous."

(2) Ordinarily, a check will be countersigned before it is delivered to the payee. However, in justifiable circumstances, such as when excessive travel on the part of the borrower or Servicing Official would be involved, or

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purchase would be prevented, and the borrower can be relied upon to select goods and services in accordance with the plans, a check may be delivered to the payee by the borrower before being countersigned.

(i) When a check is to be delivered to the payee before being countersigned, the Servicing Official must make it clear to the borrower and to the payee, if possible, that the check will be countersigned only if the quantity and quality of items purchased are in accordance with approved plans.

(ii) Checks delivered to the payee before counter-signature will bear the following legend in addition to the legend for countersignature: Valid only upon countersignature of Rural Development."

(iii) The check must be presented by the payee or a representative to the Rural Development Servicing Office for the required countersignature.

(iv) Such check must be accompanied by a bill of sale, invoice, or receipt signed by the borrower identifying the nature and cost of goods or services purchased, or similar information must be indicated on the check.

(3) For real estate loans or grants, whether the check is delivered to the payee before or after countersignature, the number and date of the check will be inserted on all bills of sale, invoices, receipts, and itemized statements for materials, equipment, and services.

(4) Bills of sale, invoices, receipts, or itemized statements may be returned to the borrower with the canceled check for the payment of the bill.

(5) Checks to be drawn on a supervised bank account will bear the legend:

- "Countersigned," not as co-maker or endorser.

(Title)

Rural Development

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§ 1902.11 Servicing Office records.

A record of funds deposited in a supervised bank account will be main-

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tained on Form RD 402-2 in accordance with the Forms Manual Insert. The record of funds provided for operating purposes by another creditor or grantor will be on a separate Form RD 402-2 so that they can be clearly identified.

[70 FR 59228, Oct. 12, 2005]

§§ 1902.12-1902.13 [Reserved]

§ 1902.14 Reconciliation of accounts.

(a) A checking account statement will be obtained periodically in accordance with established practices in the area. If the checking statement does not include sufficient information to reconcile the account (the name of the payee or the check number and the amount of each check; *i.e.*, a negotiable demand draft drawn on a financial institution), the original cancelled check or either a copy or other reasonable facsimile of the cancelled check must be provided to the Servicing Office with the statement. Checking account statements will be reconciled promptly with Servicing Office records. The person making the reconciliation will initial the record and indicate the date of the action.

(b) All checking account statements and, if necessary, original cancelled checks or either a copy or other reasonable facsimile of the cancelled checks will be forwarded immediately to the borrower when bank statements and Servicing Office records are in agreement. If a transmittal is used, Form RD 140-4, "Transmittal of Documents", is prescribed for that purpose.

(c) If the financial institution did not return the original cancelled check(s) to the Agency with the statements, and Rural Development has a need for the original cancelled check(s), the financial institution, upon request by the Agency, will furnish to the Agency the requested original cancelled check(s) or a certified copy or other reasonable certified facsimile of the cancelled check(s) and will provide this service to Rural Development with no fees being assessed the Agency or the Depositor's account for the service.

[70 FR 59228, Oct. 12, 2005]